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**NEWS RELEASE**

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**PSC ACCEPTS SETTLEMENT IN KENTUCKY-AMERICAN WATER  
RATE CASE**

***Company receives about three-fourths of original request***

FRANKFORT, Ky. (Nov. 29, 2007) – The Kentucky Public Service Commission (PSC) today accepted a settlement that grants Kentucky-American Water Co. a 15 percent increase in annual revenue.

The amount of the increase is about \$8 million - \$3 million less than the amount the company requested.

Under the settlement, residential water rates for the vast majority of Kentucky-American's customers – those in the Lexington area - will increase. Residential customers will see the charge per 1,000 gallons rise by 69 cents, from \$2.43 to \$3.12. The monthly residential customer charge will remain at \$7.95.

A customer using 5,000 gallons of water per month will see the monthly bill rise by \$3.45, from \$20.10 to \$23.55. That is an increase of 17 percent.

Rates will decline for customers in the company's Northern Division, which includes several small water utilities acquired by Kentucky-American in recent years. Those customers will now have the same rates as customers in the Lexington area.

Kentucky-American serves about 116,000 retail and wholesale customers in 11 counties in central Kentucky.

Under the settlement, which was negotiated by Kentucky-American, the Kentucky Office of Attorney General, the Lexington-Fayette Urban County Government (LFUCG), the Kentucky Industrial Utility Customers Inc. and the Community Action Council for Lexington-Fayette, Bourbon, Harrison and Nicholas Counties, Inc., the new rates take effect Saturday.

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In addition to accepting the equalized rates proposed in the settlement, the PSC also approved other provisions relating to depreciation rates for physical plant, testing and maintenance of fire hydrants and the company's contribution to a fund to assist low-income consumers. The settlement also drops appeals by both Kentucky-American and LFUCG of portions of the PSC's February 2005 decision in the company's previous rate case.

Today's order accepting the settlement, as well as other case documents and videos of hearings in the case, can be found on the PSC Web site, which is [psc.ky.gov](http://psc.ky.gov). The case number is 2007-00143.

The PSC is an independent agency attached for administrative purposes to the Department of Public Protection in the Environmental and Public Protection Cabinet. It regulates more than 1,500 gas, water, sewer, electric and telecommunication utilities operating in the commonwealth of Kentucky and has approximately 110 employees.

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